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FISCAL IMPACT STATEMENT

LS 6035

BILL NUMBER: HB 1147

NOTE PREPARED: Oct 28, 2005

BILL AMENDED:

SUBJECT: Affiliated Interests of Regulated Utilities.

FIRST AUTHOR: Rep. Pelath

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill gives the Utility Regulatory Commission (IURC) broader access to records of an affiliate of an electric or a gas utility. It provides that in a case for a fuel or gas cost charge, the Utility Consumer Counselor or any party or intervenor may examine the records of an affiliate from which a utility buys fuel or gas to determine the reasonableness of the cost. The bill also provides that as part of the regular examination of a utility's records, the Utility Consumer Counselor may also examine the records of an affiliate from which the utility buys fuel or gas to determine the reasonableness of the cost of the fuel or gas.

The bill allows the IURC, in ascribing revenue to a utility seeking a fuel or gas cost charge, to ignore any corporate distinction between the utility and an affiliate selling fuel or gas to the utility. It provides that a contract between a utility and an affiliate is not effective unless the IURC finds that the contract is in the public interest and the result of arm's length negotiations. It allows the IURC to adopt rules concerning certain transactions between utilities and affiliates. The bill also prohibits certain public utilities from providing certain subsidies to affiliates or unregulated activities.

Effective Date: Upon passage; July 1, 2006.

Explanation of State Expenditures: *IURC Impact:* This bill expands the Commission's ability to examine the records of affiliated interests of regulated utilities. Additionally, the bill allows the Commission to adopt rules regulating certain transactions between a regulated utility and an affiliated interest. Any additional administrative cost associated with expanding the Commission's oversight of affiliated interests of regulated gas and electric utilities is expected to be covered within the existing level of resources available to the IURC.

OUCC Impact: The OUCC currently examines the records of electric and gas utilities on a periodic basis to determine whether the charges associated with providing electric and natural gas service are reasonable. The bill also allows the OUCC to examine the revenues of the affiliated interests to determine whether any fuel and electricity sold to the regulated utility were sold at reasonable rates. While this bill could increase the administrative costs of the OUCC, any costs associated with the additional oversight authority are not expected to surpass the resources currently available to the Counselor.

Background on IURC and OUCC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2005, fees from the utilities and fines generated approximately \$11.7M.

Explanation of State Revenues: *Court Fee Revenue:* The bill prohibits regulated utilities from providing a subsidy to an affiliate or an unregulated service offered if the service is offered within the public utility's assigned service area and not subject to the commission's jurisdiction. A person who suffers a pecuniary loss from a violation of the prohibition may file a civil action. If additional civil actions occur, revenue to the state General Fund may increase if court fees are collected. A civil filing fee of \$100 would be assessed when a civil case is filed. 70% of the filing fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 filing fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund.

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected: Trial courts, city and town courts.

Information Sources:

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